

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
BUSINESS REGULATION AND ENFORCEMENT DIVISION**

In The Matter Of:)
)
William Larry Sherman and) Administrative Proceeding
Nell R. Sherman) Number: <u>S-06-0044</u>
)
)
<hr/> RESPONDENTS <hr/>	

CONSENT AGREEMENT

THIS AGREEMENT is hereby entered into between the State of Mississippi, Secretary of State's Office, Business Regulation and Enforcement Division (hereinafter "Division"), by and through James O. Nelson, II, Assistant Secretary of State, and Respondents William Larry Sherman and Nell R. Sherman (hereinafter "Respondents").

The Division, having the power to administer and to provide for the enforcement of all provisions of the Mississippi Securities Act (hereinafter "Act"), and Respondents do hereby enter into this Consent Agreement in resolution of the Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty (hereinafter "Order") issued October 19, 2006, detailing allegations by the Division of violations of certain provisions of the Act.

The Division's conclusions of law contained in the Order were as follows.

1. Since September 2000, Respondents have offered and sold securities, in the form of investment contracts, within or from Mississippi to Mississippi residents.
2. The Secretary of State has jurisdiction over this matter pursuant to Miss. Code Ann. § 75-71-105(a).

3. Respondents, while they were not registered with the Division as broker-dealers or agents, sold securities to Mississippi residents in violation of Miss. Code Ann. § 75-71-301.

4. Respondents sold unregistered securities in violation of Miss. Code Ann. § 75-71-401.

NOW, THEREFORE, it is hereby agreed as follows:

- A. At all times relevant hereto, it was and continues to be the intent of Respondents to comply with the requirements of the Act, and, to that end, to cooperate with the Division.
- B. It is the intent of the Division and Respondents to reach an expeditious and appropriate resolution of this matter as it pertains to Respondents' involvement therein.
- C. Based upon the representations and information obtained by the Division's independent investigation, the Division has determined not to proceed to a hearing as to Respondents.
- D. Respondents admit to the jurisdiction of the Division as to all matters herein.
- E. Respondents neither admit, nor deny that their conduct was in violation of the Act and at all times relevant believed that they were acting within the bounds of the Act.
- F. Respondents consent to the payment of Twenty Five Thousand Dollars (\$25,000.00) jointly and severally to be paid upon the execution of this Consent Agreement. Payment shall be remitted to the "Mississippi

Secretary of State” and must be received by the Division within thirty (30) days of the execution of this Agreement. Twenty Thousand Dollars (\$20,000.00) of the Twenty Five Thousand Dollars (\$25,000.00) shall be suspended unless Respondents violate any provisions of the Act and/or Rules promulgated thereunder at any time subsequent to the execution of this agreement. If Respondents violate any provisions of the Act and/or Rules subsequent to this agreement, then (1) Respondents shall immediately remit payment of the Twenty Thousand Dollars (\$20,000.00) to the Division, payable to the “Mississippi Secretary of State,” and (2) Respondent William Larry Sherman shall terminate his insurance license with the Mississippi Department of Insurance, and (3) the Division shall impose an additional penalty taking into consideration that this would be an offense in addition to those detailed in the Division’s Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty.

- G. Respondents agree neither, during the course of their natural lives, (1) to offer and/or sell any securities in the State of Mississippi, nor (2) to offer and/or sell any securities to any Mississippi residents.
- H. Respondents agree neither to act as investment advisors, as that term is defined in Miss. Code Ann. § 75-71-105(g), in Mississippi or for a Mississippi resident, nor investment advisor representatives, as that term is defined in Miss. Code Ann. § 75-71-105(h), in Mississippi or for a Mississippi resident, unless they are properly registered to act as such or

otherwise qualify for an exemption from such registration as determined by the Division.

- I. Respondents agree to cooperate fully with the Division in any future investigations relating to either one or both the offer and/or sale of any securities or the rendering of any investment advice.
- J. If Respondents determine to sell securities with prior registration, with the Division, or non-traditional insurance products such as variable annuities or equity indexed annuities, or any other non-traditional insurance product, then Respondents agree that they will keep the following books and records maintained in electronic format as long as they are stored in a secure location and easily accessible for inspection:
 1. A file containing all advertising and promotional material circulated to one or more individuals including, but not limited to, business cards, brochures, flyers, booklets, newsletters, seminar material and scripts, website pages, newspaper, radio and television advertisements;
 2. A file containing all incoming and outgoing business-related correspondence, including electronic correspondence, to and from customers or prospective customers, affiliated or appointed companies and marketing organizations;
 3. A file containing all written and/or verbal complaints received;

4. A file containing all correspondence and documentation relating to matters involving regulatory or law enforcement agencies, and civil and/or criminal proceedings;
 5. Copies of all hypothetical illustrations, recommendations, proposals, or reports presented to customers or prospective customers;
 6. Copies of all customer statements generated, prepared, or produced by the non-registered person. This does not include customer statements generated by a broker-dealer, bank, insurance company, or other financial institution which are sent directly to the customer; and,
 7. Copies of all customer-signed agreements, contracts, applications, forms, or other documents to be maintained for three years following termination as a customer.
- K. Respondents agree to submit to examinations of its/their books and records as determined by the Division provided, however, such examinations shall be conducted during normal business hours. The cost of one such examination per year shall be reimbursed by Respondents.
- L. If Respondents determine to sell securities, with prior registration with the Division, or non-traditional insurance products such as variable annuities or equity indexed annuities, or any other non-traditional insurance product, then Respondents agree that should they have any change of employment, or change their affiliation with any corporation, partnership,

LLC, or any other entity that may exist under law, then they will notify both the Division and the Mississippi Department of Insurance in writing within thirty (30) days of said change.

- M. This Consent Agreement contains the entire understanding between the parties and supersedes any prior understandings and agreements between them respecting the subject matter of this Consent Agreement.

Furthermore, the parties herein represent that they have read each provision, understand each provision, and agree to each provision herein.

- N. A willful failure to comply with any of the terms, conditions or obligations of this Agreement will result in Respondents being deemed to be in violation of a lawful order made pursuant to the Act and, therefore, subject to the penalties available under the Act.

- O. Respondents are aware of their right to a hearing on this matter at which they may be represented by counsel, present evidence and cross-examine witnesses. Respondents hereby irrevocably waive the right to such a hearing.

- P. The entry of this Agreement represents the settlement of regulatory claims by the Division against Respondents only and does not, in any way, restrict or affect the rights or causes of action, if any, of any individual or entity.

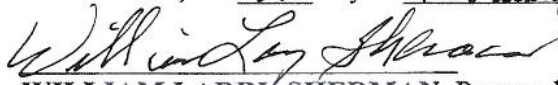
- Q. This Agreement pertains only to those matters set forth in the Order, referred to above, and only to Respondents' involvement therein.

- R. Respondents acknowledge that they have read this Consent Agreement in

its entirety and fully understand the rights, terms, and obligations
contained therein.

WHEREFORE, the undersigned hereby acknowledge and agree to the terms and
conditions of the foregoing Agreement by written consent.

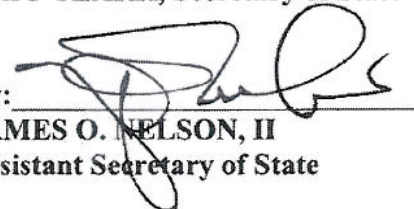
THIS, the 2 day of February, ~~2006~~ 2007



WILLIAM LARRY SHERMAN, Respondent


NELL R. SHERMAN, Respondent

ERIC CLARK, Secretary of State

By: 
JAMES O. NELSON, II
Assistant Secretary of State